

REPORT AND ACCOUNTS

2047 070

ELECTRICAL CARBON LIMITED

4 JANUARY 1999



Electrical Carbon Limited

Registered No. 2047070

DIRECTOR
J J A Kroef

SECRETARY
A Madigan

AUDITORS
Ernst & Young
Cloth Hall Court
14 King Street
Leeds
LS1 2JN

BANKERS
Barclays Bank plc
Fitzalan Square
Sheffield

REGISTERED OFFICE
Claywheels Lane
Wadsley Bridge
Sheffield
S6 1LZ

DIRECTOR'S REPORT

The director presents the report and accounts for the 52 weeks ended 4 January 1999.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the manufacture of carbon brushes.

The director considers that the results of the company are satisfactory.

RESULTS AND DIVIDENDS

	£
The profit for the year available for distribution is	770,660
From this sum, interim dividends have been paid amounting to	654,000
Leaving a balance of	116,660
The director recommends: Payment to the ordinary shareholders of a final dividend for the period ended 4 January 1999	116,660
Requiring a transfer to reserves of	-

FUTURE DEVELOPMENTS

The company plans to expand its activities in 1999.

RESEARCH AND DEVELOPMENT

The company aims to develop its products to meet the requirements of its customers.

STATEMENT OF CASH FLOWS

No cashflow statement is given as the company is a wholly owned subsidiary of The Morgan Crucible Company plc who have provided a consolidated statement of cashflows under FRS1.

YEAR 2000 COMPLIANCE

The company is well advanced in addressing the risks to our business resulting from the date change to the year 2000. We are assessing the likely impact on our activities and developing action plans to deal with key risks.

The cost of implementing the action plans has been subsumed into the recurring activities of the departments involved. The total costs of modification to our computer hardware and software incurred in the year was £1,000 , which was expensed.

DIRECTOR'S REPORT

DIRECTOR AND HIS INTERESTS

The director of the Company at the date of this report is listed on page 1 of this report.

The director had no interest in the shares of the Company. The director's interests in the Company's parent company, The Morgan Crucible Company plc are as follows:

	4 January 1999	4 January 1998
Ordinary shares of 25p each J J A Kroef	Nil	Nil
Morgan Share Participation Scheme J J A Kroef	75	Nil
Ordinary shares held under option J J A Kroef	12,015	12,015
Long Term Incentive Plan J J A Kroef	25,300	Nil

The above options were held under The Morgan Overseas Executive Share Option Scheme 1987 and may be exercised between 25 October 1996 and 24 October 2003 at 320.90p.


During the period under review the performance criteria under the Long Term Incentive Plan ('LTIP') were tested. As a result Mr Kroef was awarded 17,800 Ordinary shares in respect of an Initial and Performance Award. Mr Kroef was also granted a further Initial Award over 7,500 Ordinary Shares under the LTIP, these shares being subject to pre-set criteria.

Since the end of the period under review Mr Kroef has purchased 2 Ordinary Shares.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board


A Madigan
Secretary

A STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Director to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing those accounts, the Director is required to:

- * select suitable accounting policies and then apply them consistently;**
- * make judgements and estimates that are reasonable and prudent;**
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;**
- * prepare the accounts on the ongoing concern basis unless it is inappropriate to presume that the company will continue in business.**

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the accounts comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE AUDITORS
to the members of Electrical Carbon Limited**

We have audited the accounts on pages 6 to 14 in accordance with Auditing Standards

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the company at 4 January 1999 and its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
Leeds

Ernst & Young
9 September 1999

Electrical Carbon Limited

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 4 January 1999

	Notes	52 weeks ended 4 January 1999 £	52 weeks ended 4 January 1998 £
TURNOVER	2	2,244,880	2,429,712
Operating Costs	3	1,183,906	1,405,404
OPERATING PROFIT	4	1,060,974	1,024,308
Interest Receivable		57,103	37,990
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,118,077	1,062,298
Taxation on profit on ordinary activities	6	347,417	329,792
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		770,660	732,506
Dividends	7	770,660	732,506
PROFIT RETAINED FOR THE FINANCIAL YEAR		-	-

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £770,660 in the year ended 4 January 1999 and of £732,506 in the year ended 4 January 1998.

STATEMENT ON MOVEMENT OF RESERVES

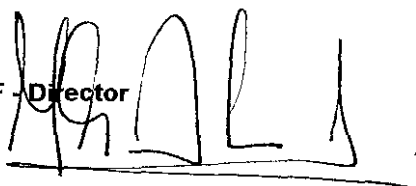
	Share Capital £	Revaluation Reserve £	Profit and loss account £	Total Shareholders Funds £
At 4 January 1997	2	174,665	111,683	286,350
Retained profit for the year			-	-
At 4 January 1998	2	174,665	111,683	286,350
Retained profit for the year			-	-
At 4 January 1999	2	174,665	111,683	286,350

Electrical Carbon Limited

BALANCE SHEET
At 4 January 1999

	Notes	4 January 1999 £	4 January 1998 £
FIXED ASSETS			
Tangible assets	8	295,871	307,136
		<u>295,871</u>	<u>307,136</u>
CURRENT ASSETS			
Stocks	9	280,224	243,834
Debtors	10	789,625	822,844
Cash at bank and in hand		190,104	409,556
		<u>1,259,953</u>	<u>1,476,234</u>
CREDITORS: amounts falling due within one year	11	<u>(1,171,946)</u>	<u>(1,402,625)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>88,007</u>	<u>73,609</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>383,878</u>	<u>380,745</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	12	97,528	94,395
		<u>286,350</u>	<u>286,350</u>
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Revaluation reserve		174,665	174,665
Profit and loss account		111,683	111,683
		<u>286,350</u>	<u>286,350</u>

J J A KROEF - Director



9 September 1999

NOTES TO THE ACCOUNTS
At 4 January 1999

1 ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings.

The accounts are prepared in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets, excluding freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset in use at the beginning of the period evenly over its expected useful life, as follows:

Buildings	2%
Plant and machinery	10%
Fixtures and fittings	5%
Computer hardware	20%
Computer software	33 1/3%

Stocks

Stocks are stated at the lower of cost and net realisable value. For this purpose "cost" means direct cost and direct expenses including applicable overheads less provision for obsolescence.

Research and development

Research and development expenditure is written off as incurred.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Assets and liabilities expressed in foreign currencies are converted to sterling at the market rates prevailing at the end of the period.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

Contributions are made to the pension schemes in accordance with actuarial advice and are charged to the profit and loss account so as to spread the pension cost over the anticipated period of service of the pension scheme employees.

Cashflow statement

A consolidated cashflow statement appears in the accounts of the ultimate parent undertaking.

NOTES TO THE ACCOUNTS
At 4 January 1999

2 TURNOVER

Turnover, which is stated net of value added tax, represents the invoiced value of sales to third parties and fellow subsidiaries, less returns and allowances given in the normal course of trade.

Turnover is attributable to one activity, the manufacture of carbon brushes.

An analysis of turnover by geographical market is given below:

	52 weeks ended 4 January 1999 £	52 weeks ended 4 January 1998 £
United Kingdom & Continental Europe	2,057,316	2,283,784
The Far East	184,770	142,405
Africa & The Middle East	2,794	3,523
	<u>2,244,880</u>	<u>2,429,712</u>

3 OPERATING COSTS

	52 weeks ended 4 January 1999 £	52 weeks ended 4 January 1998 £
Operating costs were:		
Change in stocks of finished goods and work in progress	(17,510)	(2,341)
Raw materials and consumables	422,828	467,880
Other external charges	28,550	46,380
Labour costs - wages & salaries	484,780	540,455
- social security costs	35,383	43,377
- pension costs	12,982	9,544
Depreciation	13,517	12,682
Other operating charges	203,376	287,427
	<u>1,183,906</u>	<u>1,405,404</u>

NOTES TO THE ACCOUNTS
At 4 January 1999

4 OPERATING PROFIT

(a) This is stated after charging:

	52 weeks ended 4 January 1999 £	52 weeks ended 4 January 1998 £
Auditors' remuneration	5,500	5,200
Depreciation of owned assets	13,517	12,682
Operating lease rentals	8,779	15,303
	=====	=====

(b) Director's remuneration:

The director received no remuneration during the period (1998 - £Nil)

5 STAFF NUMBERS

The average weekly number of employees during the period was as follows:

	52 weeks ended 4 January 1999 No.	52 weeks ended 4 January 1998 No.
Management and administration	7	7
Production	16	16
	=====	=====
	23	23
	=====	=====

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 4 January 1999 £	52 weeks ended 4 January 1998 £
Corporation tax - current year	344,354	327,799
- over provision for previous year	(70)	-
Deferred taxation - current year	3,133	1,993
	=====	=====
	347,417	329,792
	=====	=====

NOTES TO THE ACCOUNTS
At 4 January 1999

7 DIVIDENDS

	52 weeks ended 4 January 1999 £	52 weeks ended 4 January 1998 £
Ordinary - interim paid	654,000	429,000
- final proposed	116,660	303,506
	<u>770,660</u>	<u>732,506</u>

8 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Fixtures & Fittings £	Computer Equipment £	Plant and Machinery £	Total £
Cost or Valuation:					
At 4 January 1998	299,907	44,435	49,884	158,753	552,979
Additions			2,252		2,252
At 4 January 1999	<u>299,907</u>	<u>44,435</u>	<u>52,136</u>	<u>158,753</u>	<u>555,231</u>
Depreciation:					
At 4 January 1998	35,786	20,513	37,367	152,177	245,843
Provided during the year	4,758	2,222	4,397	2,140	13,517
At 4 January 1999	<u>40,544</u>	<u>22,735</u>	<u>41,764</u>	<u>154,317</u>	<u>259,360</u>
Net Book Value:					
At 4 January 1999	<u>259,363</u>	<u>21,700</u>	<u>10,372</u>	<u>4,436</u>	<u>295,871</u>
At 4 January 1998	<u>264,121</u>	<u>23,922</u>	<u>12,517</u>	<u>6,576</u>	<u>307,136</u>

The land and buildings were revalued for existing use by the directors as at the end of 1989, based on professional valuations by independent experts.

Land and buildings included at a valuation of £299,907 would have been stated under historical cost rules at a cost of £125,242 and at a net book value of £100,997.

NOTES TO THE ACCOUNTS
At 4 January 1999

9 STOCKS

	4 January 1999 £	4 January 1998 £
Raw materials and consumables	175,886	156,376
Finished goods and goods for resale	56,286	30,877
Work in progress	48,052	56,581
	<u>280,224</u>	<u>243,834</u>

The difference between the purchase price or production cost of stocks and their replacement cost is not material.

10 DEBTORS

	4 January 1999 £	4 January 1998 £
Trade debtors	180,216	553,553
Amounts owed by parent undertaking	2,049	-
Amounts owed by fellow subsidiary undertaking	328,218	6,502
Prepayments and accrued income	40,189	30,819
Pre-paid pension fund contributions (note 15)	238,953	231,970
	<u>789,625</u>	<u>822,844</u>

11 CREDITORS: amounts falling due with one year:

	4 January 1999 £	4 January 1998 £
Amounts owed to third parties:		
Trade creditors	13,408	34,209
Other creditors and social security	81,257	142,300
Accruals and deferred income	72,190	36,548
Taxation	344,354	328,219
Amounts owed to parent undertaking:		
Trade creditors	-	78,194
Accruals and deferred income	-	3,225
Proposed dividend	116,660	303,506
Loan	419,000	419,000
Amounts owed to fellow subsidiary undertakings:		
Trade creditors	125,077	57,424
	<u>1,171,946</u>	<u>1,402,625</u>

NOTES TO THE ACCOUNTS
At 4 January 1999

12 DEFERRED TAXATION

	4 January 1999 £	4 January 1998 £
Capital allowances in advance of depreciation	23,453	22,484
Pre-paid pension contributions	74,075	71,911
	<u>97,528</u>	<u>94,395</u>

Provision for deferred taxation is the full potential liability.

13 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	4 January 1999 No.	4 January 1998 No.	4 January 1999 £	4 January 1998 £
Ordinary shares of £1 each	100	100	2	2

14 LEASING COMMITMENTS

	Other rented assets	
	4 January 1999 £	4 January 1998 £
Operating leases which expire:		
within one year	-	10559
within two to five years	6237	-
in over five years	-	-